



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

***NORTHERN MIDDLESEX REGIONAL EMERGENCY
COMMUNICATIONS CENTER***

***REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

NORTHERN MIDDLESEX REGIONAL EMERGENCY
COMMUNICATIONS CENTER

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Honorable Administrative Board
Northern Middlesex Regional Emergency Communications Center
Tewksbury, Massachusetts

Opinions

We have audited the accompanying budgetary fund basis financial statements of the Northern Middlesex Regional Emergency Communications Center as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Northern Middlesex Regional Emergency Communications Center's financial statements as listed in the table of contents.

In our opinion, the budgetary fund financial statements referred to above present fairly, in all material respects, the respective budgetary basis fund balance of the Northern Middlesex Regional Emergency Communications Center, as of June 30, 2023, and the respective changes in budgetary fund balance thereof for the year then ended in accordance with budgetary basis of accounting as described in Note 1B.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northern Middlesex Regional Emergency Communications Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Middlesex Regional Emergency Communications Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northern Middlesex Regional Emergency Communications Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Middlesex Regional Emergency Communications Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

The Center has elected to present pension plan and other postemployment benefit plan schedules to supplement the budgetary basis financial statements. Such information is the responsibility of management and, although not a part of the budgetary financial statements, is considered to be an essential part of financial reporting for placing the budgetary financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the budgetary basis of accounting as prescribed by the Massachusetts Department of Revenue, which is a basis of accounting other than accounting principles generally accepted in the United States

of America, to comply with the requirements of the Massachusetts Department of Revenue. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of management, the Administrative Board, the member communities and the Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2023, on our consideration of Northern Middlesex Regional Emergency Communication Center’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Middlesex Regional Emergency Communication Center’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northern Middlesex Regional Emergency Communication Center’s internal control over financial reporting and compliance.



September 19, 2023

Financial Statements

BALANCE SHEET

JUNE 30, 2023

	General Fund	Grant Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 849,258	\$ -	\$ 849,258
Receivables, net of uncollectibles:			
Intergovernmental.....	-	83,100	83,100
Due from other funds.....	83,100	-	83,100
TOTAL ASSETS.....	\$ 932,358	\$ 83,100	\$ 1,015,458
LIABILITIES			
Warrants payable.....	\$ 140,121	\$ -	\$ 140,121
Due to other funds.....	-	83,100	83,100
Other liabilities.....	20,815	-	20,815
Compensated absences.....	63,855	-	63,855
TOTAL LIABILITIES.....	224,791	83,100	307,891
FUND BALANCES			
Unassigned.....	707,567	-	707,567
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 932,358	\$ 83,100	\$ 1,015,458

See notes to budgetary financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

	General Fund	Grant Funds	Total Governmental Funds
REVENUES:			
Member assessment fees - operations.....	\$ 925,151	\$ -	\$ 925,151
Intergovernmental.....	203,185	1,571,127	1,774,312
Investment income.....	9,379	-	9,379
TOTAL REVENUES.....	1,137,715	1,571,127	2,708,842
EXPENDITURES:			
Current:			
Salary expense.....	244,039	1,295,095	1,539,134
Employee benefit expense.....	296,524	193	296,717
General and administrative.....	8,717	2,370	11,087
Professional and legal fees.....	112,768	275,974	388,742
Property, maintenance and utilities.....	239,824	8,400	248,224
Capital outlay.....	155,373	-	155,373
TOTAL EXPENDITURES.....	1,057,245	1,582,032	2,639,277
NET CHANGE IN FUND BALANCES.....	80,470	(10,905)	69,565
FUND BALANCES AT BEGINNING OF YEAR.....	627,097	10,905	638,002
FUND BALANCES AT END OF YEAR.....	\$ 707,567	\$ -	\$ 707,567

See notes to budgetary financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Northern Middlesex Regional Emergency Communications Center (Center) have been prepared in accordance with the budgetary basis of accounting as prescribed by the Massachusetts Department of Revenue. The significant accounting policies are described herein.

A. Reporting Entity

Northern Middlesex Regional Emergency Communications Center was established in 2015 by an agreement, in accordance with the provisions of Massachusetts General Laws, Chapter 6A, section 18P to 18V, inclusive by and between the Towns of Dracut and Tewksbury, to provide emergency dispatch services to the member communities.

For financial reporting purposes, the Center has included all funds, organizations, agencies, boards, commissions and institutions. The Center has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Center are such that exclusion would cause the financial statements to be misleading or incomplete. It has been determined that the Center has no component units that required inclusion in these financial statements.

B. Financial Statement Presentation

The financial statements of the Center are reported within an individual general fund. Since inception the Center has accounted for its capital asset activity but has not accounted for all other long-term assets and liabilities and therefore only budgetary basis financial statements are presented.

The fund financial statements are reported using the Uniform Municipal Accounting System (UMAS) a budgetary basis of accounting as prescribed by the Massachusetts Department of Revenue; this is very similar to the flow of current financial resources measurement focus and the modified accrual basis of accounting as prescribed by the Governmental Accounting Standards Board. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Long-term assets, long-term liabilities, deferred inflows of resources and deferred outflows of resources are not required to be reported and have not been included in these financial statements in accordance with UMAS. When available, disclosures have been included in the notes to the budgetary financial statements relative to these long-term assets and long-term liabilities.

The following funds are reported:

The *general fund* which is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *grant funds* is used to account for funds received from the State which are designated for specific purposes.

C. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

D. Fair Value Measurements

The Center reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

The Center does not have any investments required to be reported using the fair value standards.

E. Accounts Receivable

The recognition of revenue related to accounts receivable reported in the financial statements is reported under the modified accrual basis of accounting.

Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2023, management believes all receivables are collectable and, accordingly, an allowance for doubtful accounts is not required.

F. Inventory

The Center does not maintain any inventory.

G. Capital Assets

The fund based financial statements do not report any long-term assets in accordance with the UMAS basis of accounting. While the balances of capital assets have not been reported in the financial statements, the balances have been disclosed in the notes.

Capital assets of the Center include building and improvements and office and dispatch equipment. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of building and improvements capital assets is 50 years and office and dispatch equipment capital assets range from 5 – 20 years.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Center does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Center does not currently have any items that qualify for reporting in this category.

I. Fund Balance

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The Administrative Board is the highest level of decision-making authority that can commit funds for a specific purpose. Once voted,

the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Center’s intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by management and exist until the purpose of the assignment has either been satisfied or management removes the assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Center’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

J. Long-term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. These financial statements do not report long-term debt, and the Center does not have long-term debt outstanding.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general and administrative expenditures.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Middlesex County Retirement System. Additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

M. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

N. Use of Estimates

The preparation of financial statements sometimes requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used. No estimates have been used.

O. Budgetary Basis of Accounting

The budget for the operations of the Center is prepared under the direction of the Advisory Board. Original and supplemental appropriations are determined through a vote at the Center meeting. All operating functions are budgeted. The budget is prepared in accordance with the Massachusetts Department of Revenue or grantor agencies.

NOTE 2 – CASH AND INVESTMENTS

Massachusetts General Laws Chapter 44, Section 55, governs the cash deposits and investments that are available to the Center. Authorized deposits include demand deposits, term deposits, and certificates of deposit. Deposits may not exceed certain levels without collateralization by the financial institution involved. The Center may also invest in securities issued by or guaranteed by the U.S. Government or an agency thereof and having a maturity from the date of purchase of one year or less. The Center may also invest in the Massachusetts Municipal Depository Trust (MMDT) which is a pooled investment account.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. The Center has not adopted a formal investment policy that addresses these risks. At June 30, 2023, the carrying amount of deposits totaled \$849,258 and the bank balance totaled \$834,109. Of the bank balance, \$500,000 was covered by Federal Depository Insurance and \$334,109 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2023, the Center had no investments.

NOTE 3 – RECEIVABLES

At June 30, 2023, the Center had intergovernmental receivables totaling \$83,100 in the grant fund.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
Building and improvements.....	\$ 4,024,107	\$ -	\$ -	\$ 4,024,107
Office and dispatch equipment.....	3,091,372	155,373	-	3,246,745
Total capital assets being depreciated.....	<u>7,115,479</u>	<u>155,373</u>	<u>-</u>	<u>7,270,852</u>
<u>Less accumulated depreciation for:</u>				
Building and improvements.....	(160,964)	(80,482)	-	(241,446)
Office and dispatch equipment.....	(313,821)	(192,669)	-	(506,490)
Total accumulated depreciation.....	<u>(474,785)</u>	<u>(273,151)</u>	<u>-</u>	<u>(747,936)</u>
Total capital assets, net.....	<u>\$ 6,640,694</u>	<u>\$ (117,778)</u>	<u>\$ -</u>	<u>\$ 6,522,916</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2023, the Center had an interfund receivable/payable totaling \$83,100 between the general fund and the grants fund. The purpose of this balance is to cover short-term needs that will be funded by future grant proceeds.

NOTE 6 – BONDS AND NOTES PAYABLE

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

As of June 30, 2023, the Center had no bonds or notes issued or outstanding.

NOTE 7 – RISK FINANCING

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Center carries commercial insurance. The Center participates in a premium-based health care plan for its active employees.

NOTE 8 – PENSION PLAN*Plan Description*

The Center is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://middlesexretirement.org/>.

Benefits Provided

The system provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned based on each unit's actuarial data. The Center's proportionate share of the required contribution, which equaled its actual contribution for the year ended December 31, 2022, was \$0, or 0.00% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The MCRS will be assessing the Center in future years.

Pension Assets

At June 30, 2023, the Center’s liability was \$582,488 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Center’s proportion of the net pension liability was based on a projection of the Center’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2022, the Center’s proportion was 0.034%, which increased from its 0.024% proportion measured at December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the Center incurred a pension expense of \$147,602. At June 30, 2023, the Center’s deferred outflows of resources and deferred inflows of resources related to pensions equaled \$348,787 and \$5,226, respectively. Components of these amounts are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 4,280	\$ -	\$ 4,280
Difference between projected and actual earnings, net.....	46,830	-	46,830
Changes in assumptions.....	10,058	-	10,058
Changes in proportion and proportionate share of contributions...	287,619	(5,226)	282,393
Total deferred outflows/(inflows) of resources.....	\$ 348,787	\$ (5,226)	\$ 343,561

The Center’s deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024.....	\$ 96,998
2025.....	96,674
2026.....	104,167
2027.....	45,722
Total deferred outflows/(inflows) of resources.....	\$ 343,561

Actuarial Assumptions

The total pension asset in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.

Amortization method.....	Prior year's total contribution increased by 6.50% for fiscal 2023, through fiscal 2028, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2020, for non-ERI liability, and 2 years from July 1, 2020, for 2010 ERI.
Asset valuation method.....	The difference between the expected return and the actual investment return on a fair value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the fair value.
Investment rate of return/Discount rate.....	7.15%, previously 7.30%.
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments.....	3.00% of the first \$16,000 of retirement income.
Mortality rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022, are summarized in table on the following page.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	20.50%	6.59%
International developed markets equity....	12.00%	6.87%
International emerging markets equity.....	4.50%	8.30%
Core fixed income.....	15.00%	1.53%
High-yield fixed income.....	8.00%	3.54%
Real estate.....	10.00%	3.44%
Timber.....	4.00%	4.01%
Hedge funds, GTAA, risk parity.....	10.00%	3.06%
Private equity.....	16.00%	9.49%
Total.....	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15% at December 31, 2022, and December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
The Center's proportionate share of the net pension asset.....	\$ 721,040	\$ 582,488	\$ 465,839
MCRS total net pension liability.....	\$ 2,100,727,873	\$ 1,697,060,700	\$ 1,357,206,313

Changes in Assumptions

- The net investment return assumption was lowered from 7.30% to 7.15%.
- The mortality projection scale was updated from MP-2017 to MP-2021.

Changes in Plan Provisions

- None.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Center administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Center’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Center and the unions representing Center employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Center are established and may be amended by the Center. The required contribution is based on a pay-as-you-go financing requirement. The Center contributes 75 percent of the cost of current-year premiums for healthcare, dental and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs for healthcare, dental and life insurance. The Center is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. For 2023, the Center’s age-weighted contribution to the plan totaled \$8,362. For the year ended June 30, 2023, the Center’s average contribution rate was 0.70% of covered-employee payroll.

Measurement Date

GASB #74 and GASB #75 require the net other postemployment benefit (OPEB) liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Employees Covered by Benefit Terms

The Plan’s membership at June 30, 2023, included 16 active members. The Center did not have any retirees as of June 30, 2023

Components of OPEB Liability

The Plan’s total OPEB liability totaled \$787,189 as of June 30, 2023.

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Entry Age Normal.
Discount rate.....	4.13%, per annum (previously 4.09%).
Municipal bond rate.....	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG).

Inflation.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 0.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. As of June 30, 2023, the Center has not established a trust fund.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2023, and 4.09% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Because there is no funding policy, the discount rate was determined by a yield or index rate for 20 – Year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG") as of June 30, 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability.....	\$ 969,029	\$ 787,189	\$ 646,625
	<u> </u>	<u> </u>	<u> </u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net OPEB liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ <u>622,446</u>	\$ <u>787,189</u>	\$ <u>1,013,709</u>

Changes in Assumptions

- The discount rate has been changed from 4.09% to 4.13%.

Changes in Plan Provisions

- None.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022.....	\$ 700,670	\$ -	\$ 700,670
Changes for the year:			
Service cost.....	68,102	-	68,102
Interest.....	31,273	-	31,273
Changes in assumptions and other inputs.....	(4,494)	-	(4,494)
Benefit payments.....	(8,362)	8,362	(16,724)
Employer contributions.....	-	(8,362)	8,362
Net change.....	<u>86,519</u>	<u>-</u>	<u>86,519</u>
Balance at June 30, 2023.....	\$ <u>787,189</u>	\$ <u>-</u>	\$ <u>787,189</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Center recognized OPEB expense of \$98,733. At June 30, 2023, the Center reported deferred inflows of resources related to OPEB of \$3,852 for changes in assumptions.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2024.....	\$ (642)
2025.....	(642)
2026.....	(642)
2027.....	(642)
2028 and thereafter.....	<u>(1,284)</u>
 Total.....	 \$ <u><u>(3,852)</u></u>

NOTE 10 – CONTINGENCIES

In the course of its operations various legal actions and claims may occur. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. At June 30, 2023, the Center is not aware of any pending or outstanding claims.

NOTE 11 – SUBSEQUENT EVENTS

The Center has evaluated subsequent events through September 19, 2023, which is the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the balance sheet date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the balance sheet date, which are necessary to disclose to keep the financial statements from being misleading.

Supplementary Information

Pension Plan Schedules

The Schedule of the Center's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Center's net pension liability and related ratios.

The Schedule of the Center's Contributions presents multi-year trend information on the Center's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	0.034%	\$ 582,488	\$ 982,422	59.29%	52.61%
December 31, 2021.....	0.024%	328,026	923,210	35.53%	61.14%
December 31, 2020.....	-0.001%	(14,725)	-	0.00%	53.42%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2023.....	\$ -	\$ -	\$ -	1,002,070	0.00%
June 30, 2022.....	-	-	-	941,674	0.00%
June 30, 2021.....	-	-	-	-	0.00%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Center's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

The Schedule of the Center's Contributions presents multi-year trend information on the Center's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
CENTER'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2022	June 30, 2023
Total OPEB Liability		
Service Cost.....	\$ 32,114	\$ 68,102
Interest.....	2,409	31,273
Changes of assumptions.....	-	(4,494)
Benefit payments.....	-	(8,362)
Net change in total OPEB liability.....	34,523	86,519
Total OPEB liability - beginning.....	666,147	700,670
Total OPEB liability - ending.....	\$ 700,670	\$ 787,189
Plan fiduciary net position		
Employer contributions.....	\$ -	\$ 8,362
Benefit payments.....	-	(8,362)
Net change in plan fiduciary net position.....	-	-
Net OPEB liability - ending (a)-(b).....	\$ 700,670	\$ 787,189
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.00%	0.00%
Covered-employee payroll.....	\$ 1,159,341	\$ 1,194,121
Net OPEB liability as a percentage of covered-employee payroll.....	60.44%	65.92%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE CENTER'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 98,703	\$ (8,362)	\$ 90,341	\$ 1,194,121	0.70%
June 30, 2022.....	59,209	-	59,209	1,159,341	0.00%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2023.....	0.00%
June 30, 2022.....	0.00%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – PENSION PLAN**A. Schedule of the Center's Proportionate Share of the Net Pension Liability**

The Schedule of the Center's Proportionate Share of the Net Pension Liability details the Center's allocated percentage of the net pension liability (asset), the Center's proportionate share of the net pension liability, and the Center's covered employee payroll. It also demonstrates the Center's net position as a percentage of the Center's pension liability and the Center's net pension liability as a percentage of the Center's covered payroll.

B. Schedule of the Center's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The Center's appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The Center's appropriations are payable on July 1 and January 1. The Center may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual Center contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Center based on the actuarial data. Since the Center was recently accepted as a new member unit, they were not assessed a required contribution as of December 31, 2022. The MCRS will assess the Center in future years.

C. Changes in Assumptions

- The net investment return assumption was lowered from 7.30% to 7.15%.
- The mortality projection scale was updated from MP-2017 to MP-2021.

D. Changes in Plan Provisions

- None.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

The Center administers a single employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Center's health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit Plan**A. Schedule of Changes in the Center's Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the Center's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

B. Schedule of the Center's Contributions

The Schedule of the Center's Contributions includes the Center's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Center is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior

to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Entry Age Normal.
Discount rate.....	4.13%, per annum (previously 4.09%).
Municipal bond rate.....	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG).
Inflation.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

D. Changes in Assumptions

- The discount rate has been changed from 4.09% to 4.13%.

E. Changes in Plan Provisions

- None.

Report on Internal Control over Financial Reporting and on Compliance

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Honorable Administrative Board
Northern Middlesex Regional Emergency Communications Center
Tewksbury, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the budgetary financial statements of the Northern Middlesex Regional Emergency Communications Center, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Northern Middlesex Regional Emergency Communications Center's budgetary financial statements, and have issued our report thereon dated September 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the budgetary financial statements, we considered the Northern Middlesex Regional Emergency Communications Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northern Middlesex Regional Emergency Communications Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northern Middlesex Regional Emergency Communications Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Northern Middlesex Regional Emergency Communications Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northern Middlesex Regional Emergency Communications Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Middlesex Regional Emergency Communications Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northern Middlesex Regional Emergency Communications Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

September 19, 2023